



بنك الإمارات دبي الوطني
Emirates NBD

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Equity Weekly

Global Equities

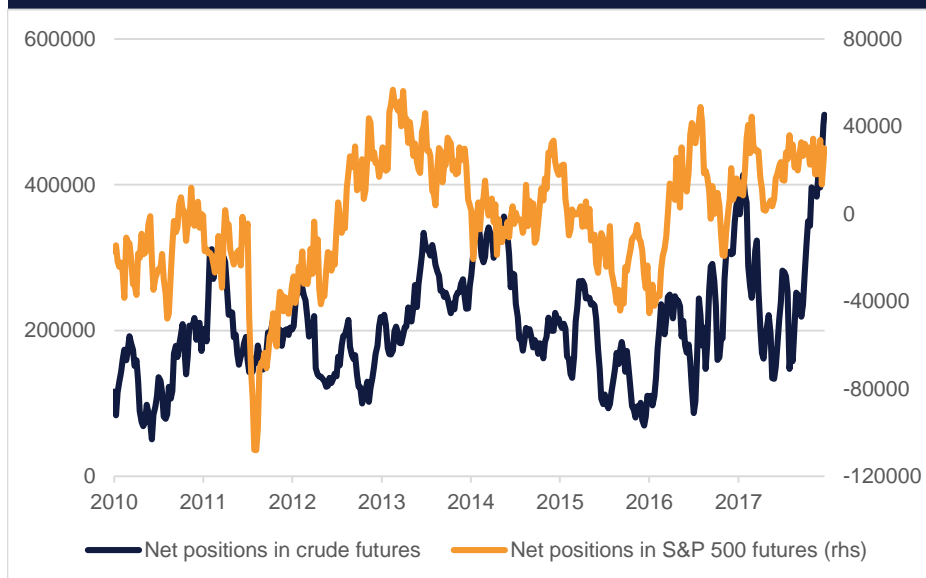
Global equities closed lower last week as concerns over inflation re-surfaced amid rising bond yields. This combined with stretched investor positioning and exhaustion likely exaggerated the decline. However, positive fundamentals remain in place with earnings season looking relatively robust. The MSCI World index dropped -3.4% 5d with volatility rising across the board. The VIX index, the V2X index and the INVIXN index jumped +56.2% 5d, +40.7% 5d and +22.3% 5d respectively.

The after-effect of moves last week is likely to remain an overhang on equity markets this week. It is likely that investors would remain cautious and pay greater attention to economic data to firm up views on inflation trajectory. Regionally, with earnings season winding down, global cues could weigh on investor sentiment.

Chart of the week

The sell-off in equities over the last week brought into focus the stretched investor positioning across asset classes. For example, the mutual fund exposure to US equities is at its highest level since 2007 while exposure to oil is at about 2.8 standard deviation above average. This signals that all investors are chasing the same trade. This at a time when cross-asset correlation is at elevated levels, the chances of losses in one asset class spreading onto other remains high. The move in equities last week is perhaps a reflection of the same.

Chart of the week – Stretched positioning relative to history



Source: CFTC, Bloomberg

MENA Markets

Over the last week, the flow in regional equities was dominated by Saudi Arabian equities. Most other markets closed lower amid lack of positive triggers. The earnings season continues to remain mixed with misses from market heavyweights. The MSCI Arabian Markets index ended the week flat.

The Tadawul closed above the 7,600 level for the first time since October 2015 with gains of +1.8% 5d. The rally was driven by inflows from foreign and regional investors amidst confidence that the anti-corruption drive was moving to an end. In this broad rally, Al Rajhi Bank has stood out as the stock added +6.4% 5d to take its year to date gains to 16.5%. This is compared to +12.0% ytd rally in the Tadawul Banking index. The stock has also accounted for nearly 50% of total foreign inflow into Saudi Arabian equities so far in 2018. Among other stocks, MedGulf dropped -11.7% 5d after the regulator banned it from issuing or renewing policies and ordered the company to raise capital.

UAE bourses closed lower with the DFM index losing -1.6% 5d and the ADX index dropping -0.7% 5d. The action was dominated by banks following corporate news flow. Dubai Islamic Bank lost -4.5% after the bank announced a rights issue. The bank aims to raise AED 1.65bn in capital by offering 1 share for every 3 held. The price will be announced following the shareholder's meeting at the end of this month. It must be remembered that the previous rights issue in 2017 was priced at a 50% discount to the share price. Emirates NBD added +3.3% 5d after the bank confirmed that it is in preliminary talks with Sberbank to buy a stake in Turkey's DenizBank.

Developed Markets

Developed market equities closed lower across the board amid relentless rise in bond yields and growing concern over inflation picking up pace. The concern over inflation stemmed from +2.9% y/y increase in US average hourly earnings. This was the fastest growth in wages since June 2009. The sell-off last week should also be seen in light of sharp gains across indices since the start of the year and could simply be a case of investor exhaustion amid moves in other asset classes. For example, the S&P 500 index had its best start to the year since 1997 with gains of +5.6% in January 2018.

Eventually, the S&P 500 index, the Euro Stoxx 600 index and the Nikkei index dropped -3.9% 5d, -3.1% 5d and -1.5% 5d respectively. The Euro Stoxx 600 index is now in the negative territory for the year.

Notwithstanding the sell-off in stocks, the earnings season in the US remains on a strong footing. Nearly 50% of companies in the S&P 500 index have reported earnings. According to FactSet, 75% of those companies have reported positive earnings surprise and 80% of those companies have reported positive sales surprise. The aggregate earnings growth for Q4 2017 for the S&P 500 index is 13.4%, higher than 11.0% anticipated growth by analysts at the end of Q4 2017.

Emerging Markets

Emerging market equities performed in line with broader markets. The MSCI EM index dropped -3.3% 5d to trim its year to date losses to +6.3%.

India's Nifty index dropped -2.8% 5d with all of these losses coming since the government announced the budget for FY 2018-2019. Overall, the budget was based on a predictable line with the government preparing itself for elections over the next 12 months with greater focus on farmers and low-income groups. Positively, it has broadly maintained the fiscal discipline displayed over the last four years. From an equity market perspective, the introduction of long-term capital gains tax did unnerve some investors even though it was on expected lines.

Market Data

MENA Equity Indices

Index	Last Price	wtd % chg	T.Value 5d avg (USDmn)	BEst P/E	BEst P/B	Div Yield	% above 200d MA
DFM	3,412	-1.6%	85.7	8.7	1.1	5.2	36.11
ADX	4,612	-0.7%	33.7	11.2	1.4	4.4	47.46
Tadawul	7,656	1.8%	1,229.2	13.9	1.6	3.2	58.96
ISE 100	118,119	-1.4%	1,826.6	8.5	1.3	2.6	74.75
EGX 30	15,089	-0.5%	42.0	10.1	1.8	2.5	73.33
KWSE	6,685	0.5%	51.9	-	-	5.2	40.91
Bahrain	1,358	1.2%	3.3	-	-	5.8	-
MSM	5,035	0.5%	8.4	9.7	1.0	5.1	60.00
Qatar Exchange	9,207	-2.7%	44.7	12.1	1.4	4.3	65.00
MADEX	10,824	2.2%	25.3	18.8	2.8	3.6	80.00
TUSISE	6,516	1.1%	1.9	20.2	-	2.1	63.64

Developed Market Indices

Dow Jones	25,521	-4.1%	10,983.9	17.3	3.9	2.2	90.00
S&P 500	2,762	-3.9%	54,322.4	17.8	3.1	1.9	76.20
Nasdaq	7,241	-3.5%	36,100.5	22.1	4.1	1.1	59.20
FTSE 100	7,443	-2.9%	6,811.6	14.3	1.9	4.2	57.43
Dax	12,785	-4.2%	5,929.2	13.2	1.7	3.1	55.17
Cac 40	5,365	-3.0%	4,648.9	14.9	1.6	3.3	67.50
Swiss	9,221	-3.1%	3,676.1	16.3	2.4	3.5	80.00
Nikkei	23,275	-1.5%	16,584.7	19.0	1.9	1.7	82.22
Australia	6,121	1.2%	3,623.0	16.4	2.0	4.3	73.37
Stoxx 600	388	-3.1%	38,182.9	15.0	1.8	3.5	65.21

Emerging Market Indices

Hong Kong	32,602	-1.7%	7,901.6	12.7	1.4	3.1	88.00
Shanghai	3,462	-2.7%	40,425.9	13.5	1.6	1.8	19.88
Korea	2,525	-1.9%	7,817.9	9.4	1.0	1.4	57.24
Sensex	35,067	-2.7%	164.3	22.5	3.0	1.1	70.97
Nifty	10,761	-2.8%	2,445.1	21.4	3.0	1.3	62.00
Karachi	44,301	-0.6%	58.9	9.6	1.5	5.3	44.57
Taiwan	11,126	-0.2%	3,987.9	14.3	1.9	3.6	65.56
Bovespa	84,041	-1.7%	2,946.0	13.5	1.7	2.3	83.87
Micex	2,282	-0.6%	826.8	6.7	0.8	4.8	77.78
Jo'burg	58,657	-4.8%	2,557.5	16.2	2.0	2.8	60.25
Vietnam	1,105	-1.0%	307.5	19.6	3.5	1.9	55.48
Jakarta	6,629	-0.5%	632.6	17.0	2.7	1.8	54.61

Source: Bloomberg, BEst – Bloomberg Estimate

Relative Valuations

Benchmark Equity Indices

Index	Last Price	wtd % chg	1m % chg	Ytd % chg	BEst P/E	BEst P/B	Div Yield
MSCI World	2,172	-3.4%	0.7%	3.2%	16.67	2.34	2.29
MSCI G7	1,963	-3.6%	0.6%	3.2%	16.78	2.43	2.13
MSCI EM	1,231	-3.3%	2.5%	6.2%	13.14	1.68	2.20
MSCI FM	665	-2.2%	2.0%	4.3%	13.31	2.01	2.95
S&P Pan Arab	724	0.4%	-	-	8.27	1.51	3.67
DUAE INDEX	3,436	-1.4%	2.2%	3.5%	10.26	1.31	4.89
DKUW INDEX	3,545	-2.7%	3.8%	3.9%	-	-	-
DQAT INDEX	5,649	-3.3%	6.0%	6.3%	11.43	1.54	3.39
DKUS INDEX	2,891	-2.5%	3.3%	3.2%	14.85	1.79	2.38
DQAS INDEX	7,618	-3.1%	5.4%	6.9%	13.30	1.65	4.77

Relative to S&P Pan Arab Composite Index

Index	PE	PB	Dvd Yield	Index	PE	PB	Dvd Yield
DFM	5.1%	-23.9%	41.1%	Bahrain	-	-	57.8%
ADX	35.0%	-6.4%	19.5%	MSM	17.4%	-35.3%	40.1%
Tadawul	68.3%	4.5%	-12.9%	Qatar	46.7%	-10.4%	17.5%
KWSE	-	-	42.1%	TUSISE	144.0%	-	-41.8%

Relative to MSCI G7 Index

Dow Jones	3.2%	59.8%	3.3%	Cac 40	-11.4%	-36.0%	53.1%
S&P 500	5.9%	29.4%	-9.8%	Swiss	-2.6%	-1.7%	62.5%
Nasdaq	31.5%	71.0%	-50.2%	Nikkei	13.1%	-22.1%	-20.2%
FTSE 100	-14.8%	-20.8%	97.2%	Australia	-2.0%	-16.8%	100.5%
Dax	-21.2%	-31.5%	47.5%	Stoxx 600	-10.7%	-24.5%	65.3%

Relative to MSCI Emerging Market Index

Hong Kong	-3.3%	-17.9%	42.7%	Jo'burg	23.3%	19.4%	27.0%
Shanghai	3.0%	-5.7%	-18.8%	Vietnam	49.3%	109.8%	-12.3%
Korea	-28.3%	-38.5%	-38.7%	Jakarta	29.4%	57.8%	-16.8%
Sensex	71.0%	79.9%	-49.3%				
Nifty	63.0%	78.7%	-42.8%				
Karachi	-26.6%	-8.3%	140.7%				
Taiwan	8.8%	10.6%	64.5%				
Bovespa	3.0%	2.1%	6.5%				
Micex	-49.1%	-54.7%	117.7%				

Source: Bloomberg, BEst – Bloomberg Estimate

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